



GR JAPAN

Update on leadership election

14 September 2020

Executive Summary

- As expected, Chief Cabinet Secretary Yoshihide Suga won the election for leadership of the Liberal Democratic Party on 14 September, receiving 377 out of 544 votes – just over 70%. Fumio Kishida came second with 89 and Shigeru Ishiba third with 68.
- Suga fared better than had been predicted among local party members, where Ishiba was expected to do much better.
- He will be formally appointed prime minister by the Diet on 16 September.
- Having been at Prime Minister Abe’s right hand as Chief Cabinet Secretary for nearly eight years, Suga is expected to carry forward very similar policies, but is seen as less of an ideologue and more focused on practical reforms.
- With more than 70% of the vote, the decisiveness of his victory gives Suga a solid platform within the party, helping him to push ahead with his own agenda and limiting internal dissent.
- The government’s response to Covid-19 remains the most urgent priority. Prime Minister Suga will have to balance measures to prevent the pandemic spreading with the impact on a fragile economy. Japan’s GDP has fallen least among G7 countries, but the number of infections is rising.
- The new prime minister will face tough diplomatic challenges including relations with China, Russia, the US, and South Korea. His lack of diplomatic experience and tough line on Korea raise questions.

- Some believe Suga may be softer on China than Abe, aiming to have Japan play more of a balancing role between the US and China, as long as it serves Japan's national interest.
- There is a realistic prospect of Prime Minister Suga calling an early House of Representatives election to secure his own mandate.
- In practice, Suga's prime ministership will depend on the continued support of the three factions that have backed him – the Hosoda (i.e. Abe), Aso and Nikai factions.

Background

On 28 August, Prime Minister Shinzo Abe announced his intention to resign from his post, saying he wished to prevent his worsening chronic ulcerative colitis interfering with his duties. Abe's Liberal Democratic Party (LDP) decided to hold a leadership election quickly to elect his successor as party president for the remainder of Abe's term – to September 2021.

Three candidates ran: Chief Cabinet Secretary Yoshihide Suga, former Minister of Defence Shigeru Ishiba, and former Minister of Foreign Affairs Fumio Kishida. As expected, Suga won comfortably, with 377 votes of a total 534 votes. Fumio Kishida secured 89, followed by Ishiba with a surprisingly low 68.

The Diet will formally appoint Suga prime minister on 16 September.

The decisiveness of his victory could help Suga to establish a firm footing to push ahead with his agenda. However, Suga will need to maintain the support of the three LDP factions which secured his victory. He will be aware that winds can change quickly within the LDP, and he will be aware that rivals for the top job will be distracted by the prospect of another party leadership election in 12 months' time.

Election format

The LDP leadership election was held in a scaled-down form, in which only the LDP's 394 Diet members and 141 party representatives – three each from the LDP's 47 prefectural chapters – could vote. More than one million rank-and-file party members could not vote directly, but following initial complaints about their exclusion, most prefectural chapters allocated their three votes in accordance with the votes of their local members.

At national level, the scaled-down election format was approved by the LDP's executive council on 1 September, ostensibly to alleviate outgoing prime minister Abe's burden. Under the party's rules, an election like this is permitted in an "emergency situation". (An "emergency situation" was also declared when Abe resigned from his first stint as prime minister in 2007.)

Both then and now, the consequence was that lawmakers' preferences were prioritised relative to the views of rank-and-file members. Both times, this worked to disadvantage Ishiba, who has tended to be popular with party members but – largely because of his outspoken criticism of Abe – not by the party leadership.

The election format was controversial. In a Yomiuri poll, 59% of all respondents (including 47% of LDP supporters) thought the format was "inappropriate", while Minister of Environment Shinjiro Koizumi stated that the LDP's claim that opening up the vote to party members would create a political vacuum was a "complete lie".

The outcome of the election was determined to a large extent by the LDP's factions, which declared their support for the respective candidates in advance of the election. The Hosoda faction, in practice led by Abe, announced its support for Suga, as did the Aso faction of Deputy Prime Minister and Minister of Finance Taro Aso, and the Nikai faction, headed by powerful LDP Secretary-General Toshihiro Nikai.

Yoshihide Suga's ordinary background

Unusually for recent LDP leaders, Yoshihide Suga is not a hereditary politician. Originally from Yuzawa, a small town in Akita prefecture, he was born to a family of farmers, moving to Tokyo shortly after graduating from high school. After working several, some menial, part-time jobs to pay for university, he graduated from Hosei University in 1973. He then worked as a secretary for LDP Diet Member Hikosaburo Okonogi for eleven years before being elected to Yokohama City Council in 1987, only entering national politics in 1996. Until being elected as LDP leader today, he was best known as Japan's longest-serving Chief Cabinet Secretary under Abe.

Suga and Abe have been close for many years. Suga's unwavering support of Abe was one of the things that made it possible for him to maintain his position and implement his policies almost unchallenged for so long. Suga and Abe first bonded over North Korea issues in the early 2000s, as the issue of abducted Japanese nationals in the 1970s and 1980s came to the fore. Suga served as Minister of Internal Affairs and Communications in Abe's first administration, in 2006-07, and it was Suga who later convinced Abe to run again for the LDP presidency, an unusual step, but which led to Abe becoming prime minister for the second time.

Partly as a result of their close cooperation over the years, bolstered by his capacity for hard work, Suga has come to be one of the most informed and politically astute figures in Japanese politics. Throughout Abe's administration, Suga showed him total loyalty and dedication, displaying no prime ministerial ambition, which could have undermined the unity of the Cabinet.

Suga's careful and reticent manner served him well over the eight years he spent giving twice-daily briefings to the press. He managed to avoid making any gaffes, to an uncommon extent amongst other key governmental figures. The lack of controversy contributed to an image of reliability and sure-footedness, which helped him build support both within and outside of the LDP. On the domestic scene he is adroit at coordinating between different groups and overseeing crises, but he lacks direct experience on the world stage.

He is less driven by political ideology than Abe, and thinks in more practical terms, some say as a result of his unprivileged upbringing. Amongst the LDP membership he has never – until now – enjoyed particular popularity, but recent surveys have shown a striking recent increase in positive views of him.

Policy platform

Suga has sought to present himself as a source of continuity, underlining that he wishes to carry forward Abe's policy platform. While this is highly credible, there are also some key differences that indicate some policy changes ahead. More than Abe, Suga is known, for example, to prioritise the promotion of technology, and has indicated his determination to accelerate the digital shift in government services and in medicine.

Despite the overall picture of continuity, Suga is seen as reform-friendly, and has specified administrative reform and regulatory reform as key priorities. Suga believes that the involvement of multiple government offices in policymaking has been a roadblock to reform and a source of delay, including in Japan's response to the Covid-19 pandemic.

Suga will immediately be faced with the challenge of responding to Covid-19. While keeping the virus under control is a priority for governments around the world, in Japan the issue is seen also in light of Tokyo's plans to host the Olympic and Paralympic Games next summer. Abe came under much criticism from the Japanese public for his Covid-19 response, and Suga's response will be key in shaping the public's view of him.

Suga is not alone among world leaders in having to strike a difficult balance between avoiding further spread of infection and helping the economy recover but is widely known in Nagatacho that Suga places more emphasis on restarting the economy and less on defeating the virus “at any price”. He has been critical of the tough measures and messaging of Tokyo Governor Yuriko Koike, which he finds extreme, while driving forward the “Go To” campaign to subsidise tourism within Japan, which many saw as premature. It will be interesting to see how Suga balances those instincts with public opinion, which tends to favour a more cautious approach.

Throughout his years as Chief Cabinet Secretary, Suga has consistently shown more interest in “regulatory reform” – a term often imprecisely translated to English as “deregulation”. During his acceptance speech today, it was also interesting to note that Suga talked about “taking on vested interests”, something not pushed by Abe for many years and which brings back memories of Prime Minister Junichiro Koizumi.

Although he has been government spokesman for nearly eight years, Suga’s lack of direct diplomatic experience raises questions over his ability to handle Japan’s many diplomatic challenges. As China-US relations continue to deteriorate, and Japan’s economy has found itself at times caught in the crossfire, Suga will have to carefully balance Japan’s relations with the two giants. Suga stated during a policy debate just before the LDP leadership election that he would not be afraid to express Japan’s claims to China during high-level talks if necessary, including over the disputed Senkaku Islands. At the same time, he has made it known privately that he sees China as important for Japan and that Japan will need to play all the cards it has.

Russia poses further challenges: with Abe expressing his regret that he was unable to resolve the territorial issue over the disputed Northern Territories.

Of more immediate concern, Japan’s relationship with South Korea took a nosedive last year and has failed to recover. Suga stated during the leadership debate that he would stick to his own style of diplomacy, whilst seeking assistance from the Ministry of Foreign Affairs and consulting Abe. However, he has generally been seen as a hawk on South Korea and was one of the drivers behind the decision to introduce export restrictions last year.

Suga and Abe take a similar approach to economic policies. Suganomics will look a lot like Abenomics, and he has already expressed support for keeping the Bank of Japan’s current monetary easing policy. He is particularly eager to revitalise regional economies by raising the minimum wage, promoting agricultural reform, and boosting tourism. Though he briefly mooted a potential consumption tax rise

before the election, he quickly backtracked, stating instead that a tax increase would not be necessary for another decade. Suga also plans to merge regional banks, taking the view that there are too many small regional banks, which have struggled due to the stagnating domestic economy and low interest rates. This agenda is supported by the Financial Services Agency.

It has been noted that Suga has tended to concentrate on domestic, day-to-day policies, rather than ideological or diplomatic themes. In particular, he has fixated on mobile carrier fees, which he believes to be too high. Mobile carriers argue that rate cuts will cut into revenue needed for 5G investments, even though Japan has some of the highest rates among advanced economies. Suga aims to lower mobile rates and to encourage competition. In the field of technology, he plans to create a central agency to handle Japan's digitalisation agenda. And in healthcare, Suga has expressed interest in expanding the national health insurance system, for example to cover the cost of infertility treatments.

Suga's emphasis on taking on vested interests will create a new not seen for many years in Nagatacho. This, in combination with a distrust in the motives of the bureaucracy and an eagerness to reform the ministries, has the potential to create a confrontational dynamic. While popular with voters, openly challenging the bureaucracy has proven dangerous for past Japanese prime ministers and could make him vulnerable. A quick election to secure his own mandate would be even more important if he chooses to go down the route of challenging the bureaucracy.

Outlook

Recent periods of stable leadership in Japan have tended to be followed by transient administrations, raising concerns about whether Suga will continue beyond next autumn, returning to another era of "revolving-door prime ministers". Suga was seen at first as just a caretaker prime minister, standing in at short notice, and for the remainder of Abe's tenure as LDP president. However, he will surely be tempted to stay on, to take his legacy forward. One option, therefore, would be for Suga to dissolve the House of Representatives early, to secure a mandate of his own.

Potential scenarios

One scenario is an election this year, to capitalise on the stronger public approval that is common for a new administration. This will depend on Suga getting off to a good start and perceptions of how he handles the coronavirus. A deft response could enable him to secure gains in the election and continue as prime minister for more than 12 months.

Minister of Defence Taro Kono suggested during an online speech that the general election was likely to take place in October this year, reasoning that it would be difficult to hold a general election any later, given preparations for the Tokyo Olympics and Paralympics. An election this year is currently seen as the most likely scenario.

Another potential date for an early election would be the end of October or the beginning of November. This is because Osaka Mayor Ichiro Matsui plans to hold a referendum on the creation of a unified Osaka Metropolis on 1 November. Matsui leads Osaka Ishin no Kai, the political party behind the metropolis initiative. Suga is said to quietly support this plan, and as such, a general election held near or on the same date as the referendum would boost votes for Osaka Ishin no Kai. The support of Osaka Mayor Matsui could also help bolster Suga's position beyond the LDP.

An alternative scenario would be a dissolution of the House of Representatives in autumn of 2021. Dissolution is seen as unlikely before the autumn, due to several important events next year. One such event is the Tokyo Assembly Election, which is scheduled to take place in July. To Komeito, the LDP's long-term coalition partner, this election is at least as important as national elections. The LDP is well aware of this, and thus will not dissolve the House of Representatives too close to this time. The LDP depends on the tactical votes of its coalition partner, so holding an election during the same period would not serve the LDP well.

Despite widespread expectation that Suga will want to continue past next autumn, Suga himself implies he is not yet sure whether he wants to remain in his new post for longer than a year or not. This may be politically expedient, but Suga's backers would certainly prefer that he continues as long as possible, to ensure stability. And it will be important to suggest that Suga has long-term ambitions if he is not to look like a lame duck from day one.

Factional dynamics

Suga is in a peculiar position as he does not belong to any faction yet has 30-40 robust allies within the House of Councillors and House of Representatives referred to as the "Suga group". His lack of factional affiliation means that he must keep the support of the factions that supported Prime Minister Abe during his time in office. In order to garner their support, three conditions must be fulfilled. First, public support for his administration must be high. Secondly, he must – on the whole – continue the policy direction of the former prime minister. Last, he must ensure a good balance in distributing positions to faction members. If these three conditions are met, barring any personal dissatisfaction with the post, he will be in a strong position to continue as prime minister.

Visibly prioritising a faction-oriented administration could, however, negatively impact public opinion. As a result, Suga must aim to have non-faction-affiliated Diet members in the foreground. But that risks other unintended consequences. The two main groups that support Suga, the “Suga group” and the “Ganesha” group (a group of LDP Members of the House of Representatives, coordinated by Manabu Sakai) are not affiliated with any faction. Their support of Suga is the only thing that ties them to one another, and they have few connections with other Diet members. Their lack of affiliation means they are not as experienced as factional Diet members, and their ability to cooperate and share information with each other is impeded. The two groups supporting Suga do not even coordinate with one another. Finding a harmonious balance of factional and non-factional Diet members in his administration could be a key challenge.

When deciding on an effective Cabinet formation, finding a balance of factions goes beyond simple numerical balance. Under the Abe administration, for example, Takashi Yamashita of the Ishiba faction was selected as Minister of Justice. Although Yamashita was a legal expert, being selected for such a senior post after only his third term was about more than competence – Abe’s decision was largely seen as a conciliatory gesture towards Ishiba, whose bid to lead the LDP had just failed. Selecting Yamashita over more senior members of the Ishiba faction (Cabinet positions are usually reserved for Diet members with six terms) kept those members in check and kept a lid on Ishiba. Suga is no stranger to such strategic considerations – having advised Cabinet selections under Abe – and will likely incorporate similar thinking in his own appointments. Factional considerations aside, in general, Suga’s selections are also likely to reflect his reform-friendly orientation.

In terms of public opinion, Suga was not always particularly popular. However, since the announcement of his candidacy for LDP leadership, his ratings have shot up. A recent *Kyodo* survey showed that he had the backing of 50.2% of respondents, highlighting a significant shift in public opinion. Directly after Abe’s resignation, support for Suga hovered around 14%, but Suga overtook Ishiba in less than two weeks.

The road ahead

Suga’s victory can be seen as an indicator of continuity and stability in Japan’s policy and politics. He is a known quantity, but he is taking the helm at a difficult time, with a variety of domestic and international challenges. It is essential that Suga gets off to a good start to cement his position if he is to continue for more than the next 12 months.

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